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FISCAL IMPACT STATEMENT

LS 7894

BILL NUMBER: SB 501

NOTE PREPARED: Feb 7, 2003

BILL AMENDED: Feb 6, 2003

SUBJECT: Charter School Funding.

FIRST AUTHOR: Sen. Lubbers

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that the Department of Education (Department) shall distribute tuition support and other state and federal funding to a charter school at the same time and in the same manner as it distributes funding to school corporations. It provides that the governing body of a school corporation shall distribute to a charter school a proportionate share of local support upon receipt by the school corporation of the semiannual distributions of property tax revenue.

The bill provides that the Department shall distribute tuition support and other state and federal funding for the first six months of operation of a charter school that increases in enrollment by 15%.

The bill includes the reimbursement grant amount in the tuition support cap. This bill limits the: (1) total distributions of state funding to a charter school; and (2) reimbursement grants to a school corporation whose students attend a charter school; to four million dollars for both fiscal year 2004 and fiscal year 2005.

Effective Date: Upon passage; January 1, 2002 (retroactive).

Explanation of State Expenditures: (Revised) The bill clarifies that the state is to provide a proportionate share of state revenue for the first six months a charter school is in operation. The state is currently paying the costs during the first six months operation due to an Attorney General's opinion. The bill would also clarify that the local school is to provide the proportionate share of local revenue the first six months a charter school is in operation. Most local schools have not paid a proportionate share of their December tax revenue to charter schools.

The bill creates two new grants to public and charter schools.

Reimbursement of first six months of local costs grant: The bill requires the state to reimburse the local school the amount they paid to a charter school during the first six months the charter school was in operation. The estimated net cost based on CY 2002 data would have been about \$1.7 M.

Growing charter school grants: As proposed by the amendment, the bill provides that if a charter school has a 15% increase in enrollment, then the charter school receives a proportionate share of state funding for the increase in students from the prior school year.

The amendment limits the state's fiscal exposure for the reimbursement of the first six months of local costs, the state costs of the first six months, and the growing charter school grant to \$4 M for FY 2004 and FY 2005. Based on the average 2002-2003 revenue of \$6,062, excluding special education, primetime, and vocational education grants, the \$4 M would fund about 1,250 new students under the new or growing charter provisions of the bill.

The fiscal impact of the bill as amended would be about \$1.7 M for FY 2002-03, and under \$4 M for FY 2004 and FY 2005, since the state currently is paying the state portion of revenue for charter schools in the initial six months of operation.

Background: The charter school ADM for the 2002-03 school year is 1,253, and the revenue per student is about \$6,062, excluding special education, primetime, and vocational education grants. The first charter school opened for the 2002-03 school year. The state, in accordance with an Attorney General's opinion, is paying the state portion of state funding to charter schools without reducing the state funding of the public school where the student resides for the period of July-December of 2002. Starting with February 2003 the revenue sent by the state to the charter school will be offset by a reduction in the state revenue sent to the public school where the student resides.

Under the current charter school law, it is unclear if the local school would incur additional expenses in the first six months of the operation of charter schools. The impact on local schools for the first six months for the 11 new charter schools would be about \$1.7 M. The impact for local school corporations starting with the next calendar year after the charter school begins depends on how the school receives its school formula revenue. In the school formula, schools make three separate revenue calculations and receive the greatest revenue of the three calculations. The largest local impact is for minimum guarantee school corporations. The school receives 2% more in revenue than they received last year, regardless of enrollment changes. The minimum guarantee school corporation would lose revenue on average of \$6,062 per student for students attending charter schools. Schools that receive funding through the foundation and variable grant calculation may lose revenue depending on their student counts. If a school corporation has no reghosting, then the impact on the school corporation is the same if the student left to attend a charter school, a private school, or another school corporation. The amount of revenue redirected to the charter school is equal to the amount of revenue the school would have lost if the student left the school corporation. If the school has reghosting, the decline in enrollment is phased out over five years, then the school corporation would lose some revenue. The revenue loss would be about \$4,850 per student, since the school would only lose 20% of the funding if the student left to attend another school.

The following is a simple explanation of the school formula calculations for regular programs for CY 2003.
Enrollment

Step 1 Count Noses.	Base Enrollment is the number of students enrolled on a fixed day in mid-September (this year: September 13, 2002).
Step 2 Reghost.	Compare Base Enrollments for 1998, 1999, 2000, 2001, and 2002:

- (a) If 1998 is higher than any subsequent (i.e., later) year
Then: Add 20% of the difference between the 1998 Base Enrollment and highest subsequent enrollment.
- (b) If 1999 is higher than any subsequent year
Then: Add 40% of the difference between the 1999 Base Enrollment and highest subsequent enrollment.
- (c) If 2000 is higher than either 2001 or 2002.
Then: Add 60% of the difference between the 2000 Base Enrollment and highest subsequent enrollment.
- (d) If 2001 is higher than 2002
Then: Add 80% of the difference between the 2001 Base Enrollment and the 2002 Base Enrollment.

Regular School Formula Revenue

Revenue is calculated 3 ways—Minimum Guarantee, Foundation, and Variable Grant—District receives the biggest of the 3.

Foundation Multiply \$4,560 by
 District Enrollment (calculated above) by
 District Complexity Index that ranges between 1.00 (Eagle Union) and 1.19 (East Chicago), which is based on (a) Community education level, (b) % of Single-Parent Households in Community, (c) Poverty, (d) % limited English proficient students, and (e) % free lunch

Variable Grant Increase 2002 regular education per-pupil revenue by \$50-\$90 and multiply by
 District Enrollment (calculated above)

Minimum Guarantee Increase 2002 regular education revenue by 2%

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Public and Charter Schools

Information Sources: Department of Education Databases.

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